

Charity registration number 1137523

Company registration number 7293440 (England and Wales)

THE PROFOREST INITIATIVE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

THE PROFOREST INITIATIVE

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	C A Elliott (Chair) M Hobley B A Lindhe
Charity number	1137523
Company number	7293440
Registered office	South Suite Frewin Chambers Frewin Court Oxford OX1 3HZ
Auditor	Critchleys Audit LLP Beaver House 23-38 Hythe Bridge Street Oxford OX1 2EP
Bankers	HSBC plc 65 Cornmarket Street Oxford OX1 3HY
Solicitors	Blake Morgan Seacourt Tower West Way Botley Oxford OX2 0FB

THE PROFOREST INITIATIVE

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THE PROFOREST INITIATIVE

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)

FOR THE YEAR ENDED 31 DECEMBER 2023

The Trustees are pleased to present their report together with the financial statements of the charity for the year ended 31 December 2023.

Legal and administrative information set out on page 1 forms part of this report. The financial statements comply with the Charities Act 2011, the Companies Act 2006 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019).

Objectives and activities

1. To promote for the benefit of the public conservation and improvement of the physical and natural environment by promoting sustainable development by:

- 1.1 The preservation, conservation and the protection of the environment and the prudent use of resources,
- 1.2 The relief of poverty and the improvement of the conditions of life in socially and economically disadvantaged communities,
- 1.3 the promotion of sustainable means of achieving economic growth and regeneration.

Sustainable development means development which meets the needs of the present without compromising the ability of future generations to meet their own needs.

2. To advance the education of the public in the conservation, protection and improvement of the physical and natural environment relating to sustainable development and the protection, enhancement and rehabilitation of the environment.

During the year ended 31 December 2023, the Charity received funding to carry out a variety of activities to support implementation of its programmes to improve the environmental and social sustainability of agriculture and forestry commodity production and sourcing. These programmes included work in Europe, Africa and Latin America on the implementation of sustainable production practices for major commodity crops. To this end, the Charity supported stakeholders including private sector, government and civil society to align action to reduce deforestation; developed tools and guidance to enable agricultural commodity buyers to reduce the environmental and social impacts of their supply chains; and supported large-scale collaborative approaches to sustainable land management.

Following the signing of the Africa Sustainable Commodities Declaration by ministers of 10 countries in West and Central Africa (Cameroon, Ghana, Liberia, Sierra Leone, Gabon, Edo State (Nigeria), Central African Republic, Democratic Republic of the Congo, Cote d'Ivoire and the Republic of Congo) at CoP 27 in Egypt, the Charity supported partners in the countries to transition the Africa Palm Oil Initiative (APOI) to the wider scope of the Africa Sustainable Commodities Initiative (ASCI). Stakeholders were identified and invited to join the national platforms; and the APOI national principles and action plans were updated to incorporate the wider commodity focus. The Charity invested significant time, together with the global Proforest Communications Director on fundraising to support on-going activity and development of ASCI. While there has been significant interest from funders, this has yet to be converted into large-scale funding. The existing funding from the UK Foreign and Commonwealth Development Office (FCDO) ended in June 2023.

THE PROFOREST INITIATIVE

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

The Charity continued to support 'landscape and jurisdictional' approaches to land management with on-the-ground activities particularly active in Ghana, Cote d'Ivoire and Peru. In Cote d'Ivoire, the landscape management and investment plan for the San Pedro Landscape, as well as a landscape baseline study, were validated by local stakeholders.

In Peru the Charity focused on supporting the government to develop sustainable plans for agricultural commodity production including palm oil and cattle. This continued work from 2022 on the development of a national strategy for sustainable palm oil, with the Ministry of Agrarian Development and Irrigation. Guidance for the cocoa sector on meeting the upcoming European Union Deforestation Regulation was interpreted for use in Peru and presented at the Chocolate and Cocoa traders event in Lima.

Within Europe, the Charity also focused on further exploring and publicising the implications of the European Union Deforestation Regulation for smallholder producers of cocoa in Ghana, Cote d'Ivoire and Peru. Operational guidance to support producers and traders to comply with the requirements was widely shared through interactive webinars in early 2023.

The Charity carried out a range of capacity building activities particularly in Ghana, Cote d'Ivoire and Peru. In Cote d'Ivoire, capacity building activities were carried out in 30 villages in the San Pedro landscape on relevant topics including the Forest Code, and the High Conservation Value approach. In Ghana, a mentoring approach was adopted to deliver longer term training.

Over the year, the Charity continued to provide significant technical support to organisations developing voluntary standards systems and methodologies for defining, implementing and assessing the sustainable management of agricultural production. This included continued support to the Accountability Framework Initiative, Roundtable on Sustainable Palm Oil (RSPO), and the ISEAL Alliance. The Charity continued to develop an e-learning platform to support the activities of the Accountability Framework Initiative; and worked with new organisations including Gold Standard, SAI Platform and the World Resources Institute Forest Data Partnership. In 2023, the Charity has increasingly built a profile of recognised expertise on questions around new due diligence regulations (such as the EUDR) and the role of voluntary standards systems, as this has become an important theme in agricultural commodity production, trade and sustainability.

The Charity was involved in significant fundraising activities for future projects related to the responsible management of agricultural commodities to enhance conservation and improve living conditions of workers and local communities around the world. The Charity was represented at the Committee on World Food Security, the Africa Climate Summit, COP 28, and the Africa Food Systems Forum. Grant and project proposals were submitted to UK and European donor organisations.

The Trustees oversaw implementation of policies and procedures to govern the charity's relationship with third parties, and to strengthen the management and transparency of the charity.

The Trustees confirm that they have complied with the duty in section 17(5) of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission.

THE PROFOREST INITIATIVE

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Achievements and performance

Financial review

During 2023, the Charity saw a significant decrease in income and expenditure on charitable activities, resulting in a deficit of £71k, compared to a deficit of £2k in the previous year.

Net income was reduced due to a decreased contribution from programmes. The Charity experienced a funding gap after several long term grant funding initiatives (P4F and IKI) ended during 2023.

Fixed costs, excluding foreign currency impact, also decreased to £218k (2022 £346k) as a consequence of the reduction of charitable activities. During the year the charity suffered adverse foreign currency impact, resulting in a foreign exchange loss of £19k, compared to a gain of £35k in 2022.

In 2023 the Charity's net expenditure on unfunded restricted activities was £1k compared to net expenditure of £2k in 2022. At the end of the year, the Charity did not carry forward any restricted funds (2022: £Nil)

Our programme delivery was funded by several grants from donors with the two largest being from Partnership for Forests (P4F) programme and The Federal Republic of Germany Ministry for the Environment, Nature Conservation and Nuclear Safety's International Climate Initiative (IKI).

Reserves policy

The Proforest Initiative has a policy of building and maintaining reserves approximately equal to six months (50%) of the annual running costs in order to ensure the organisation can deal with fluctuations in income and payment schedules. In addition to the agreed level of operational reserves, the charity also chooses to retain a certain level of additional reserves approximately equal to 15% of annual running costs, to act as a buffer against significant future foreign exchange rate fluctuations and direct programme related expenses not covered by grant or donor funding. Proforest Ltd agrees to underwrite the Proforest Initiative should adequate reserves not be available.

The reserve levels are reviewed annually by the Trustees, as part of the review of the accounts and, where the unrestricted reserves are not at the required level, a strategy for adjusting the reserves over the following year will be agreed.

The unrestricted reserves held at 31 December 2023 are £379K.

In addition to a) the ringfenced reserves and b) approved co-funding for the P15A IKI Landscape programme (£21k) in 2023, the trustees also approved the utilisation of unrestricted reserves to cover the planned deficit. The charity utilised a total of £71k from unrestricted reserves at 31.12.2023.

The current reserve level is above the annual operating cost of the Charity and the trustees consider any surplus above requirement to be a useful buffer against short-term funding gaps.

It is the opinion of the trustees that there is no significant impact on the charity's activities and going concern status.

Plans for future periods

During 2023 the Charity successfully completed two grants (through the UK government Partnership for Forests Programme, and the German government International Climate Initiative)

In 2024, the Charity is seeking substantial funding for further action on:

- Scale up support and investment in landscape and jurisdictional initiatives, and other large scale approaches to environmentally and socially responsible agricultural commodity production.
- Supporting producer countries to develop mechanisms which enable them to comply with increasing consumer country due diligence legislation, such as the EU Deforestation Regulation, EU CSRD, and the UK Environment Act.
- Developing approaches to ensure human rights are respected in agricultural commodity production landscapes. This includes labour, land, indigenous people and communities, child and gender rights, among others.

The Charity is continually improving its financial and management systems, overseen by the Trustees.

THE PROFOREST INITIATIVE

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Structure, governance and management

The Proforest Initiative is a company limited by guarantee (registered at Cardiff on 23 June 2010) and a charity (registered on 17 August 2010) governed by its Memorandum and Articles of Association. Charity number: 1137523. Company number: 7293440.

The directors of the charitable company ('the Charity') are its trustees for the purpose of Charity Law and throughout this report are collectively referred to as the Trustees.

The number of Trustees is at least three, and not more than six. Trustees serve for an initial term of three years and approximately one third of Trustees retire at each AGM. A Trustee may volunteer to stay on the Board for a second period of three years. The trustees meet approximately quarterly, by telephone if they so agree, but in person at least once a year.

The Trustees, who are also the directors for the purpose of company law, and who served during the year and up to the date of signature of the financial statements were:

The trustees, who are also the directors for the purpose of company law, and who served during the year and up to the date of signature of the financial statements were:

C A Elliott (Chair)

E J Fripp

(Resigned 1 March 2023)

I A R Smyth

(Resigned 31 January 2024)

M Hobley

B A Lindhe

Under the Memorandum and Articles of Association, the Charity has the power to make any investment, but only after obtaining such advice from a financial expert as the Trustees consider necessary, and having regard to the suitability of investments and the need for diversification. No investment has been made to date.

Pay policy for senior staff

The board of directors, who are the Charity's Trustees, and the senior management team comprise the key management personnel of the charity in charge of directing and controlling, running and operating the Charity on a day to day basis. All Trustees give of their time freely and no Trustee received remuneration in the year. Details of Trustees' expenses are disclosed in note 7 to the accounts.

The pay of the senior staff is reviewed annually and normally increased in line with inflation. The Board of Trustees are informed of pay reviews for senior staff.

Risk Management

The major risks to which the Charity is exposed, as identified by the Trustees, have been reviewed and systems or procedures have been established to manage those risks. A risk management matrix details risks and confirms the procedures in place and is reviewed and approved each year. As several programmes include work in high risk countries (post-conflict or limited infrastructure to respond to accidents and emergencies) work plans are reviewed and, if necessary amended, to respond to any risk which cannot be adequately mitigated.

THE PROFOREST INITIATIVE

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) *FOR THE YEAR ENDED 31 DECEMBER 2023*

Disclosure of information to auditor

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

The trustees' report was approved by the Board of Trustees.



C A Elliott (Chair)

Trustee

Date: May 22, 2024

THE PROFOREST INITIATIVE

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2023

The Trustees (who are also directors of The Proforest Initiative for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of its income and expenditure for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

THE PROFOREST INITIATIVE

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF THE PROFOREST INITIATIVE

Opinion

We have audited the financial statements of The Proforest Initiative (the 'charity') for the year ended 31 December 2023 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2023 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the trustees' report for the financial year for which the financial statements are prepared, which includes the directors' report prepared for the purposes of company law, is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

THE PROFOREST INITIATIVE

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE TRUSTEES OF THE PROFOREST INITIATIVE

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of the charity for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the charitable company through discussions with trustees and other management, and from our commercial knowledge and experience of the client's business sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the charitable company, including the Companies Act 2006, Charities Act 2011, taxation legislation, data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

THE PROFOREST INITIATIVE

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE TRUSTEES OF THE PROFOREST INITIATIVE

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

THE PROFOREST INITIATIVE

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE TRUSTEES OF THE PROFOREST INITIATIVE

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Robert Kirtland (Senior Statutory Auditor)
for and on behalf of Critchleys Audit LLP

23/5/2024
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Statutory Auditor

Beaver House
23-38 Hythe Bridge Street
Oxford
OX1 2EP

THE PROFOREST INITIATIVE

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2023

		Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £
	Notes						
Income from:							
Donations and legacies	3	-	753,538	753,538	-	2,098,597	2,098,597
Charitable activities		786,581	-	786,581	464,990	-	464,990
Investments	4	570	-	570	469	-	469
Total income		787,151	753,538	1,540,689	465,459	2,098,597	2,564,056
Charitable activities	5	857,245	754,649	1,611,894	465,729	2,100,372	2,566,101
Net expenditure		(70,094)	(1,111)	(71,205)	(270)	(1,775)	(2,045)
Transfers between funds		(1,111)	1,111	-	(1,775)	1,775	-
Net movement in funds		(71,205)	-	(71,205)	(2,045)	-	(2,045)
Reconciliation of funds:							
Fund balances at 1 January 2023		450,100	-	450,100	452,145	-	452,145
Fund balances at 31 December 2023		378,895	-	378,895	450,100	-	450,100

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

THE PROFOREST INITIATIVE

BALANCE SHEET

AS AT 31 DECEMBER 2023

	Notes	2023 £	£	2022 £	£
Current assets					
Debtors	10	238,403		447,529	
Cash at bank and in hand		359,230		608,949	
		<u>597,633</u>		<u>1,056,478</u>	
Creditors: amounts falling due within one year					
Other creditors	11	180,116		594,678	
Deferred income	12	38,622		11,700	
		<u>218,738</u>		<u>606,378</u>	
Net current assets			<u>378,895</u>		<u>450,100</u>
The funds of the charity					
Unrestricted funds			<u>378,895</u>		<u>450,100</u>
			<u>378,895</u>		<u>450,100</u>

The financial statements were approved by the trustees on May 22, 2024



C A Elliott (Chair)
Trustee

Company registration number 7293440 (England and Wales)

THE PROFOREST INITIATIVE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £	£	2022 £	£
Cash flows from operating activities					
Cash absorbed by operations	17		(250,289)		(146,074)
Investing activities					
Investment income received		570		469	
Net cash generated from investing activities			570		469
Net cash used in financing activities			-		-
Net decrease in cash and cash equivalents			(249,719)		(145,605)
Cash and cash equivalents at beginning of year			608,949		754,554
Cash and cash equivalents at end of year			359,230		608,949

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

Charity information

The Proforest Initiative is a private company limited by guarantee incorporated in England and Wales. The registered office is South Suite, Frewin Chambers, Frewin Court, Oxford, OX1 3HZ.

1.1 Accounting convention

The financial statements have been prepared in accordance with the charity's governing document, the Companies Act 2006, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Charities SORP "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (effective 1 January 2019). The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, unless otherwise stated in the accounting policy notes. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives.

Restricted funds can only be used for particular restricted purposes within the objects of the Charity. Where a donor has specified a particular purpose for a donation, the income is shown as restricted income in the Statement of Financial Activities. Any such income unexpended at the year end is shown as a restricted fund in the balance sheet. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Details of the restricted funds are provided in the notes to the accounts.

1.4 Income

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Grant income is generally recognised on a receivable basis and is reported gross of related expenditure, where the amounts are reasonably certain and when there is adequate certainty of receipt.

Funding received for future periods is carried forward in deferred income until the related expenditure has been incurred.

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

1.5 Expenditure

Expenditure is accounted for on an accruals basis and gross of any related income. They are classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with use of the resources.

- Costs of charitable activity comprises direct expenditure. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with the use of resources.
- Governance costs include those costs, such as audit or independent examination fees and legal and professional fees, associated with constitutional and statutory requirements.
- Support costs and governance costs, reported under "Other Charitable Expenditure" have not been apportioned across the reported charitable activities. Apportioning these costs would not add any further benefit to interpreting the accounts, in the opinion of the charity.

1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

Deferred income

The element of charitable income which relates to costs which have not been incurred at the balance sheet date are carried forward to be matched against the costs when they are incurred. Management exercises judgement to calculate the amounts to be deferred by reference to budgeted expenditure and grant conditions.

Accruals

Management exercises judgement in calculating year end accruals with reference to information relating to costs incurred post year end, and budgeted expenditure.

3 Donations and grants

	Restricted funds	Restricted funds
	2023	2022
	£	£
Grant income	753,538	2,098,597
	<u>753,538</u>	<u>2,098,597</u>
Grants receivable for core activities	£	£
IKICall 2016	497,119	636,745
FCDO_P4F_TFA Phase III	236,785	719,864
FCDO-FGMC extension 2021-2022	-	707,739
CAF- General Mills	8,271	-
Other	11,363	34,249
	<u>753,538</u>	<u>2,098,597</u>

The following acronyms have been used above and in note 13 to the accounts:

APOI	Africa Palm Oil Initiative
CAF	Charities Aid Foundation
FCDO	Foreign, Commonwealth & Development Office
FGMC	Forest Governance, Markets and Climate Programme
IKI	International Climate Initiative
P4F	Partnerships for Forests
RSS	Regional Sustainability Strategy
HRDD	Sugarcane Toolkit Programme
TFA	Tropical Forest Alliance

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

4 Income from investments

	Unrestricted funds 2023 £	Unrestricted funds 2022 £
Interest receivable	570	469

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

5 Charitable activities

	Proforest Ltd	Proforest Latin America	Proforest Mexico	Proforest Ghana	Proforest Initiative Africa (Ghana)	Proforest Sdn Bhd	Other Charitable Expenditure	Total 2023	Total 2022
	2023 £	2023 £	2023 £	2023 £	2023 £	2023 £	2023 £	£	£
Labour costs for programme delivery	352,634	118,658	43,956	18,504	67,358	22,476	-	623,586	1,029,652
Programme expenses recharged	183,608	87,990	-	-	141,995	-	-	413,593	825,145
3rd Party Sub Contractor costs	-	-	-	-	-	-	178,518	178,518	267,480
3rd Party programme related expenses	-	-	-	-	-	-	80,709	80,709	54,295
RSS Partnership payments	-	-	-	-	-	-	78,727	78,727	80,787
	536,242	206,648	43,956	18,504	209,353	22,476	337,954	1,375,133	2,257,359
Share of support costs (see note 6)	-	-	-	-	-	-	225,965	225,965	296,485
Share of governance costs (see note 6)	-	-	-	-	-	-	10,796	10,796	12,257
	536,242	206,648	43,956	18,504	209,353	22,476	574,715	1,611,894	2,566,101
Analysis by fund									
Unrestricted funds	269,550	77,172	43,956	18,504	-	22,476	425,587	857,245	465,729
Restricted funds	266,692	129,476	-	-	209,353	-	149,128	754,649	2,100,372
	536,242	206,648	43,956	18,504	209,353	22,476	574,715	1,611,894	2,566,101

The Proforest Initiative's one charitable activity is that of the promotion of and education regarding sustainable development and the protection of the environment.

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

5 Charitable activities

(Continued)

For the year ended 31 December 2022

	Proforest Ltd	Proforest Latin America	Proforest Mexico	Proforest Ghana	Proforest Initiative Africa (Ghana)	Proforest Sdn Bhd	Other Charitable Expenditure	Total 2022
	£	£	£	£	£	£	£	£
Labour costs for programme delivery	574,911	67,467	8,057	8,885	229,453	140,879	-	1,029,652
Programme expenses recharged	210,562	105,189	-	-	437,474	71,920	-	825,145
3rd Party Sub Contractor costs	-	-	-	-	-	-	267,480	267,480
3rd Party programme related expenses	-	-	-	-	-	-	54,295	54,295
RSS Partnership payments	-	-	-	-	-	-	80,787	80,787
	<u>785,473</u>	<u>172,656</u>	<u>8,057</u>	<u>8,885</u>	<u>666,927</u>	<u>212,799</u>	<u>402,562</u>	<u>2,257,359</u>
Share of support costs (see note 6)	-	-	-	-	-	-	296,485	296,485
Share of governance costs (see note 6)	-	-	-	-	-	-	12,257	12,257
	<u>785,473</u>	<u>172,656</u>	<u>8,057</u>	<u>8,885</u>	<u>666,927</u>	<u>212,799</u>	<u>711,304</u>	<u>2,566,101</u>
Analysis by fund								
Unrestricted funds	154,007	-	8,057	8,885	22,437	10,237	262,106	465,729
Restricted funds	631,466	172,656	-	-	644,490	202,562	449,198	2,100,372
	<u>785,473</u>	<u>172,656</u>	<u>8,057</u>	<u>8,885</u>	<u>666,927</u>	<u>212,799</u>	<u>711,304</u>	<u>2,566,101</u>

The Proforest Initiative's one charitable activity is that of the promotion of and education regarding sustainable development and the protection of the environment.

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

6 Support costs

	2023 £	2023 £	2023 £	2022 £	2022 £	2022 £
Programme development	3,347	-	3,347	6,393	-	6,393
Management and administrative support	145,397	-	145,397	223,417	-	223,417
Office and establishment costs	73,327	-	73,327	65,382	-	65,382
Others expenses	3,894	-	3,894	1,293	-	1,293
Audit fees	-	6,850	6,850	-	6,850	6,850
Trustees' meeting costs	-	3,946	3,946	-	5,407	5,407
	<u>225,965</u>	<u>10,796</u>	<u>236,761</u>	<u>296,485</u>	<u>12,257</u>	<u>308,742</u>
Analysed between:						
Charitable activities	<u>225,965</u>	<u>10,796</u>	<u>236,761</u>	<u>296,485</u>	<u>12,257</u>	<u>308,742</u>

Governance costs includes payments to the auditors of £6,850 (2022- £6,850) for audit fees.

7 Trustees

None of the trustees (or any persons connected with them) received any remuneration or benefits from the charity during the year.

Three trustees received £1,288 reimbursed during the year (2022: Six trustees were reimbursed expenses of £935). In 2023, four trustees also had £2,122 (2022 £4,451) expended on their behalf for lunches and travel.

8 Staff costs

	2023 Number	2022 Number
Management	1	1
Operations and IT	1	1
Finance	2	3
	<u>4</u>	<u>5</u>
Total	<u>4</u>	<u>5</u>

The amount of £145,397 (2022: £223,417) (see note 6) includes costs of £135,570 (2022: £208,870 for management and administrative support for The Proforest Initiative provided by staff whose costs were paid by Proforest Ltd . Employees of Proforest Ltd have joint contracts of employment with The Proforest Initiative.

Key management personnel comprise the Trustees, the chief executive officer, a programme director, the Africa regional director, the operations director and the finance director. This was also the case in 2022. Remuneration paid to the charity's key management personnel in the year totalled £435,411 (2022: £417,295) of which £131,997 (2022: £121,727) is included as an expense in these accounts.

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

8 Staff costs

(Continued)

The number of employees whose annual remuneration was more than £60,000 is as follows:

	2023 Number	2022 Number
£60,001 - £70,000	5	3
£70,001 - £80,000	2	2
£80,001 - £90,000	3	1
	<u> </u>	<u> </u>

9 Taxation

The charity is exempt from taxation on its activities because all its income is applied for charitable purposes.

10 Debtors

	2023 £	2022 £
Amounts falling due within one year:		
Trade debtors	182,130	108,987
Amounts due from fellow subsidiaries	13,467	-
Other debtors	3,357	4,354
Accrued income	39,449	334,188
	<u>238,403</u>	<u>447,529</u>

11 Other creditors falling due within one year

	2023 £	2022 £
Trade creditors	25,920	10,337
Amounts due to related parties (see note 16)	126,972	489,301
Accruals and deferred income	27,224	95,040
	<u>180,116</u>	<u>594,678</u>

12 Deferred income

	2023 £	2022 £
Arising from grants received for specific future programmes	<u>38,622</u>	<u>11,700</u>

Deferred income is included in the financial statements as follows:

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

12 Deferred income

(Continued)

	2023 £	2022 £
Deferred income is included within:		
Current liabilities	38,622	11,700
Movements in the year:		
Deferred income at 1 January 2023	11,700	101,097
Released from previous periods	(11,700)	(101,097)
Resources deferred in the year	38,622	11,700
Deferred income at 31 December 2023	38,622	11,700

13 Restricted funds

The restricted funds of the charity comprise the unexpended balances of donations and grants held on trust subject to specific conditions by donors as to how they may be used.

	At 1 January 2023 £	Incoming resources £	Resources expended £	Transfers £	At 31 December 2023 £
Africa TFA APOI	-	236,785	(239,335)	2,550	-
IKI Landscape	-	497,119	(495,680)	(1,439)	-
Service S016	-	11,363	(11,363)	-	-
HRDD Toolkit for Sugarcane	-	8,271	(8,271)	-	-
	-	753,538	(754,649)	1,111	-
Previous year:	At 1 January 2022 £	Incoming resources £	Resources expended £	Transfers £	At 31 December 2022 £
Africa TFA APOI	-	719,864	(719,864)	-	-
Production Landscape	-	707,739	(707,739)	-	-
IKI Landscape	-	636,745	(638,520)	1,775	-
Service S016	-	34,249	(34,249)	-	-
	-	2,098,597	(2,100,372)	1,775	-

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

13 Restricted funds

(Continued)

Restricted monies were received from a variety of sources to support the programmes outlined above:

Africa TFA APOI programme

Africa Palm Oil Initiative: a multistakeholder initiative involving 9 countries and 1 state in Central and West Africa to promote the development of sustainable palm oil.

IKI Landscape programme

Support to landscape initiatives in Ghana, Cote d'Ivoire and Peru to align private sector initiatives to combat deforestation with government and civil society action in each country.

HRDD Sugarcane Toolkit Programme

Implementation of a Human Rights Due Diligence methodology in the sugar sector in Brazil as well as the development of capacity building materials on the topic.

14 Unrestricted funds

The unrestricted funds of the charity comprise the unexpended balances of donations and grants which are not subject to specific conditions by donors and grantors as to how they may be used. These include designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes.

	At 1 January 2023	Incoming resources	Resources expended	Transfers	At 31 December 2023
	£	£	£	£	£
General funds	450,100	787,151	(857,245)	(1,111)	378,895
Previous year:	At 1 January 2022	Incoming resources	Resources expended	Transfers	At 31 December 2022
	£	£	£	£	£
General funds	452,145	465,459	(465,729)	(1,775)	450,100

15 Commitments of the Charity

As at 31 December 2023 the Charity:

- had no material commitments not provided for in the accounts
- had given no guarantees to third parties
- had no liabilities secured on its assets
- had made no loans to connected persons or otherwise
- had made no ex-gratia payments in the year then ended.

16 Related party transactions and controlling party

Transactions with related parties

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

16 Related party transactions and controlling party

(Continued)

Proforest Initiative is a subsidiary of Proforest Ltd in accordance with the provisions of section 1159 of the Companies Act 2006. The reason that Proforest Initiative falls within this definition is that Proforest Ltd is the sole member of Proforest Initiative. Each trustee of the Proforest Initiative has one vote. The sole member cannot overrule any decision making by the Trustees. In theory, sole membership entitles Proforest Ltd to resign the Board of Trustees, however in practice this could not happen due to the regulatory framework in which the charity operates.

Proforest Ltd's principal objectives are to help people to produce and source natural resources sustainably. Proforest Ltd provides consultancy services to companies, developing practical approaches to responsible production and sourcing that support companies in their transition to better practices on the ground.

During the year ended 31 December 2023 Proforest Limited recharged The Proforest Initiative £536,242 (2022: £785,473) for costs of charitable activity paid on its behalf. As at 31 December 2023 £91,137 (2022: £203,516) was due to Proforest Limited from The Proforest Initiative.

During the year ended 31 December 2023 Proforest Sdn Bhd (a wholly owned Malaysian subsidiary of Proforest Limited) recharged The Proforest Initiative £22,476 (2022: £212,799) for costs of charitable activity paid on its behalf. As at 31 December 2023, £150 (2022: £35,956) was due from Proforest Sdn Bhd to The Proforest Initiative and £6,166 (2022: £27,297) was due to Proforest Sdn Bhd from the Proforest Initiative.

During the year ended 31 December 2023 Proforest Ghana (a company under common control but shares objectives with The Proforest Initiative and works closely with it) recharged The Proforest Initiative £18,504 (2022: £8,885) for costs of charitable activity paid on its behalf. As at 31 December 2023 £12,484 (2022: £2,920) was due from The Proforest Initiative to Proforest Ghana.

During the year ended 31 December 2023 Proforest Initiative Africa, a registered charity in Ghana not under common control but sharing objectives with the Proforest Initiative, recharged The Proforest Initiative was recharged £209,353 (2022: £666,927) for costs of charitable activity paid on its behalf. At 31 December 2023 £Nil (2022: £192,660) was due to Proforest Initiative Africa and £12,732 (2022: £Nil) was due from Proforest Initiative Africa to The Proforest Initiative.

During the year ended 31 December 2023 Proforest Brazil (an Association registered in Brazil, which is not under common control), recharged The Proforest Initiative £Nil (2022: £8,057) for costs of charitable activity paid on its behalf. As at 31 December 2023, £8,054 (2022: £8,109) was due to Proforest Brazil from The Proforest Initiative. As at 31 December 2023, £585 (2022: £Nil) was due from Proforest Brazil to The Proforest Initiative.

During the year ended 31 December 2023 Proforest Latin America (the equivalent of a limited company in the UK), which is not under common control, but shares objectives with The Proforest Initiative and works closely with it) recharged The Proforest Initiative £206,648 (2022: £172,656) for costs of charitable activity paid on its behalf. As at 31 December 2023, £9,131 was owed by The Proforest Initiative to Proforest Latin America (2022: £54,801).

During the year ended 31 December 2023 Proforest Mexico (the equivalent of a limited company in the UK), which is not under common control, but shares objectives with The Proforest Initiative and works closely with it) recharged Proforest Mexico £43,956 (2022: £Nil) for costs of charitable activity paid on its behalf. As at 31 December 2023, £Nil (2022: £Nil) was due from The Proforest Initiative to Proforest Mexico.

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

17	Cash generated from operations	2023 £	2022 £
	Deficit for the year	(71,205)	(2,045)
	Adjustments for:		
	Investment income recognised in statement of financial activities	(570)	(469)
	Movements in working capital:		
	Decrease/(increase) in debtors	209,126	(289,425)
	(Decrease)/increase in creditors	(414,562)	235,262
	Increase/(decrease) in deferred income	26,922	(89,397)
		<hr/>	<hr/>
	Cash absorbed by operations	(250,289)	(146,074)
		<hr/> <hr/>	<hr/> <hr/>

18 Analysis of changes in net funds

The charity had no material debt during the year.